



**ARKANSAS INSURANCE DEPARTMENT
LEGAL DIVISION**

1200 West Third Street
Little Rock, AR 72201-1904
501-371-2820
FAX 501-371-2629

Not dated

BULLETIN 13-85

The purpose of this Bulletin is to emphasize this administration's continued support for the guidelines set forth in Department Directive No. 1-85, and expound upon its provisions.

This Department has become increasingly concerned about the indiscriminate and capricious cancellation or non-renewal of policies by insurers. It is the intention of this Department to pursue actions of this type under the provisions of Ark. Stat. Ann. §66-2215(1)(a), which states in part as follows:

"The Commissioner shall, after a hearing thereon, suspend or revoke an insurer's certificate of authority if he finds that the insurer:

...is using such methods and practices in the conduct of its business, as to render its further transaction of insurance in Arkansas hazardous or injurious to its policyholders or to the public..."

Further, it is our opinion that these practices constitute unfair and deceptive actions within the meaning of Ark. Stat. Ann. §66-3004.

We realize that certain contractual rights exist for insurers that may give credence to actions of this nature. However, insurers must give proper attention to the explicit rights of their policyholders to be treated with fairness. If a policyholder has complied with the contractual requirements of the policy, then he should be assured of the company's reasonable and prudent compliance with its contractual obligations. It is the right of our insureds to depend upon the terms of the adhesion contract of insurance, absent any wrongdoing on their part. Such is the rationale of entering a contract for a specific period.

Section 2 of Department's Directive No. 1-85 states that mid-term cancellations, or refusals to renew at an anniversary date, shall be prompted solely by unfavorable underwriting factors pertinent to the individual risk which were not apparent at the inception of the coverage. It is our opinion that loss experience developed during the policy term does not constitute a basis for such action, absent any wrongdoing on the part of the insured. We recognize and appreciate that there are occasional situations in which a company is quite justified in terminating its coverage on individual risks prior to the contract's normal expiration date, or at renewal. However, wholesale mid-term cancellations, or non-renewals, are neither justified nor, in our opinion, contemplated by the provisions common to most contracts.

This Department will pursue all legal remedies available to deal appropriately with any insurer which is found not to be in compliance with Directive 1-85, or the provisions of this Bulletin.

Robert M. Eubanks, III
Insurance Commissioner